

May 31, 2017

**COMMENTS ON BEHALF OF THE CITIES OF  
ANAHEIM, AZUSA, BANNING, COLTON,  
PASADENA, AND RIVERSIDE, CALIFORNIA ON THE  
2016 COST OF SERVICE STUDY AND 2018 GMC UPDATE**

In response to the CAISO's request, the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (collectively, the "Six Cities") submit the following questions on the 2016 Cost of Service Study and 2018 Grid Management Charge ("GMC") Update:

- On slide 11 of the May 24, 2017 briefing on the Cost of Service Study and at page 3 of the CAISO's report, the percentage for CRR Services is shown as reduced to 2% from 3%. What is the reason for the change?
- Also on slide 11 of the May 24, 2017 briefing and at pages 3-4 of the CAISO's report, the CAISO explains that the percentage change for the CAISO System Operations category is reduced by 4%, from 70% to 66%, due to "process efficiencies." Please specify and explain the "process efficiencies" that result in the revised percentage for CAISO System Operations.
- On slide 15 of the May 24, 2017 briefing, the CAISO explains that the change in the cost allocation for the EIM System Operations charge is also due to "process efficiencies." Are these the same process efficiencies that produce the revised percentages for the CAISO System Operations charge? If they are different, please specify and explain the process efficiencies that result in the revised amount for the EIM System Operations charge?
- For the System Operations cost category, the percentage resulting from the 2016 Cost of Service Study is decreased relative to the prior cost of service study by 4% (see slide 11), but the decrease is shown as 6% for EIM System Operations (see slide 15). Why are the percentages different for CAISO System Operations versus EIM System Operations?
- Similarly, the percentage for the CAISO Market Services charge is shown as increasing by 5% (see slide 11), while the percentage for the EIM Market Services charge is increasing by 19%. Why are the percentages different?
- With respect to page 29 of the CAISO's report, please provide a breakdown of the Estimated Volumes that are used as the billing determinants to derive each GMC rate. Will the Estimated Volumes be revised at some point prior to the 2018 rates taking effect, or will these be the volumes that are used for purposes of setting the GMC rates during 2018? Are any EIM transactions included in the volumes that are used to establish the CAISO Market Services or CAISO System Operations charges?

- Please explain how the revenues from the EIM Market Services charge and the EIM System Operations charge offset the CAISO Market Services and System Operations charges. Does the CAISO reflect the revenues resulting from these charges as offsets to the respective revenue requirements in each of these categories as part of its annual budgeting process? Are actual revenues received during the prior budget year used for this purpose?
- The CAISO's workpapers accompanying its report show a composite "EIM Rate" of \$0.1901. Similarly, slide 16 from the CAISO's briefing shows a composite EIM rate for 2017 of \$0.1882, versus the EIM pro forma 2016 rate (which we understand to represent the rate that will be effective in 2018), of \$0.1901. Is it correct that the results of the CAISO's 2016 Cost of Service Study and 2018 GMC Update provide for an increase in the composite EIM rate of \$0.0019?

Should the CAISO have any questions concerning the questions listed above, please contact the undersigned counsel for the Six Cities.

Submitted by

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